

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6802**

**BILL NUMBER: SB 440**

**NOTE PREPARED: Jan 19, 2015**

**BILL AMENDED:**

**SUBJECT:** Assessed Value Growth Quotient for Tax Purposes.

**FIRST AUTHOR:** Sen. Hershman

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that a county-based assessed value growth quotient may be determined for each civil taxing unit. The bill provides that the assessed value growth quotient for a civil taxing unit is the lesser of: (1) the quotient determined using a six-year average of statewide income growth (as current law provides); or (2) the quotient determined using a six-year average of assessed value growth in the county in which the particular civil taxing unit is located. The bill makes conforming changes.

**Effective Date:** Upon passage.

**Explanation of State Expenditures:** The Department of Local Government Finance (DLGF) will have to modify its calculations of maximum levy limits. The DLGF should be able to make the required changes with existing resources.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Compared with maximum levies under current law, it is estimated that this bill will result in lower 2016 maximum levies for taxing units in 65 counties. The total reduction is estimated at \$102.9 M. Taxing units in 19 of the 65 counties will have 2016 maximum levies that are lower than 2015 maximum levies by a total of \$22.4 M. The smaller increases in maximum levies under this bill will continue in counties where AV growth is slower than statewide income growth.

Under current law, counties may choose to fund would-be maximum levy increases with local option income taxes (LOIT). In 2015, maximum levies were frozen in Brown, Carroll, Jasper, Parke, Pulaski, and Wells Counties. This analysis shows the changes in the maximum levy as if these counties will not be frozen in 2016. Whether frozen or not, an estimated maximum levy growth reduction is a revenue growth reduction for the taxing units. If the levy is frozen, then the growth in the income tax rate is reduced instead of the growth in property tax levies.

Following are summaries of the estimated change in 2016 maximum levies by unit type and by maximum levy type. A county summary appears at the end of the fiscal note.

| Estimated 2016 Maximum Levy |                      |                      |                     |              |
|-----------------------------|----------------------|----------------------|---------------------|--------------|
| Max Levv Type               | Current              | Proposed             | Change              | Change       |
| Unit General                | 3,439,900,654        | 3,357,945,421        | -81,955,233         | -2.4%        |
| Township Fire               | 130,810,450          | 127,203,401          | -3,607,049          | -2.8%        |
| Twp Assistance Admin        | 6,103,832            | 5,962,104            | -141,728            | -2.3%        |
| Twp Assistance Benefits     | 7,435,838            | 7,263,181            | -172,657            | -2.3%        |
| Fire Territory              | 60,289,774           | 59,076,622           | -1,213,152          | -2.0%        |
| School Transportation       | 601,916,770          | 588,864,791          | -13,051,979         | -2.2%        |
| School Bus Replacement      | 126,020,975          | 123,254,842          | -2,766,133          | -2.2%        |
|                             | <b>4,372,478,293</b> | <b>4,269,570,362</b> | <b>-102,907,931</b> | <b>-2.4%</b> |

| Estimated 2016 Maximum Levy |                      |                      |                     |              |
|-----------------------------|----------------------|----------------------|---------------------|--------------|
| Unit Type                   | Current              | Proposed             | Change              | Change       |
| Counties                    | 1,142,471,866        | 1,118,188,852        | -24,283,014         | -2.1%        |
| Townships                   | 243,619,095          | 237,243,068          | -6,376,027          | -2.6%        |
| Cities & Towns              | 1,543,446,597        | 1,507,953,429        | -35,493,168         | -2.3%        |
| School Corporations         | 727,937,745          | 712,119,633          | -15,818,112         | -2.2%        |
| Libraries                   | 268,581,387          | 262,142,354          | -6,439,033          | -2.4%        |
| Special Units               | 446,421,603          | 431,923,026          | -14,498,577         | -3.2%        |
|                             | <b>4,372,478,293</b> | <b>4,269,570,362</b> | <b>-102,907,931</b> | <b>-2.4%</b> |

Maximum permissible levies for civil taxing units and the school transportation and bus replacement funds grow by a factor called the assessed value growth quotient or the AVGQ. The AVGQ is currently equal to the six-year average increase in Indiana nonfarm personal income. This income-based growth quotient equals 2.7% in CY 2015 and is estimated at 2.5% for CY 2016 and 3.8% for CY 2017.

Under this bill, the AVGQ will be the lower of (a) the current income-based factor or (b) the previous six-year average change in the county's certified net assessed value. The AV-based factor for 2016 is estimated to be lower than the income-based factor in 65 counties. Of those 65 counties, the AV-based factor for 19 counties is estimated to be negative in 2016.

The maximum levy calculation begins with the previous year's maximum levy. The lower limits for the first year under this bill will carry forward as the base for the following year's calculation, and so on. As the income-based factor begins to grow, this bill will result in lower levy limit growth than allowed currently if assessed value growth doesn't grow as quickly for some counties.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** Local civil taxing units and school corporations.

**Information Sources:** Local Government Database, DLGF.

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.

| Cnty | County      | 2016 Est. AVGO |          | Estimated 2016 Maximum Levy, All Units |             |             |        |
|------|-------------|----------------|----------|--|-------------|-------------|--------|
|      |             | Current        | Proposed | Current                                | Proposed    | Difference  | Change |
| 01   | Adams       | 2.5%           | 2.5%     | 20,081,691                             | 20,081,691  | 0           | 0.0%   |
| 02   | Allen       | 2.5%           | -0.3%    | 266,937,781                            | 259,645,822 | -7,291,959  | -2.7%  |
| 03   | Bartholomew | 2.5%           | 1.1%     | 55,420,156                             | 54,652,387  | -767,769    | -1.4%  |
| 04   | Benton      | 2.5%           | 2.5%     | 8,056,525                              | 8,056,525   | 0           | 0.0%   |
| 05   | Blackford   | 2.5%           | 1.5%     | 7,665,247                              | 7,591,960   | -73,287     | -1.0%  |
| 06   | Boone       | 2.5%           | 2.1%     | 40,043,590                             | 39,879,507  | -164,083    | -0.4%  |
| 07   | Brown*      | 2.5%           | 0.2%     | 6,743,111                              | 6,592,462   | -150,649    | -2.2%  |
| 08   | Carroll*    | 2.5%           | 2.5%     | 9,241,979                              | 9,241,979   | 0           | 0.0%   |
| 09   | Cass        | 2.5%           | 0.5%     | 25,566,409                             | 25,057,577  | -508,832    | -2.0%  |
| 10   | Clark       | 2.5%           | -1.5%    | 63,092,513                             | 60,654,986  | -2,437,527  | -3.9%  |
| 11   | Clay        | 2.5%           | 2.5%     | 8,974,042                              | 8,974,042   | 0           | 0.0%   |
| 12   | Clinton     | 2.5%           | 2.5%     | 22,136,786                             | 22,136,786  | 0           | 0.0%   |
| 13   | Crawford    | 2.5%           | 2.3%     | 6,014,871                              | 6,004,310   | -10,561     | -0.2%  |
| 14   | Daviess     | 2.5%           | 2.0%     | 18,359,395                             | 18,277,001  | -82,394     | -0.4%  |
| 15   | Dearborn    | 2.5%           | -1.5%    | 30,013,197                             | 28,830,239  | -1,182,958  | -3.9%  |
| 16   | Decatur     | 2.5%           | 2.1%     | 13,727,603                             | 13,670,010  | -57,593     | -0.4%  |
| 17   | DeKalb      | 2.5%           | -0.2%    | 26,893,944                             | 26,175,020  | -718,924    | -2.7%  |
| 18   | Delaware    | 2.5%           | 0.4%     | 93,429,009                             | 91,523,965  | -1,905,044  | -2.0%  |
| 19   | Dubois      | 2.5%           | 1.4%     | 22,787,009                             | 22,540,244  | -246,765    | -1.1%  |
| 20   | Elkhart     | 2.5%           | -1.5%    | 131,756,773                            | 126,615,045 | -5,141,728  | -3.9%  |
| 21   | Fayette     | 2.5%           | -1.1%    | 18,615,518                             | 17,959,889  | -655,629    | -3.5%  |
| 22   | Floyd       | 2.5%           | -0.2%    | 33,709,527                             | 32,814,989  | -894,538    | -2.7%  |
| 23   | Fountain    | 2.5%           | 2.5%     | 8,397,414                              | 8,397,414   | 0           | 0.0%   |
| 24   | Franklin    | 2.5%           | 1.9%     | 8,388,890                              | 8,338,149   | -50,741     | -0.6%  |
| 25   | Fulton      | 2.5%           | 1.9%     | 10,872,011                             | 10,811,548  | -60,463     | -0.6%  |
| 26   | Gibson      | 2.5%           | 2.5%     | 27,459,268                             | 27,459,268  | 0           | 0.0%   |
| 27   | Grant       | 2.5%           | 0.0%     | 42,195,781                             | 41,178,965  | -1,016,816  | -2.4%  |
| 28   | Greene      | 2.5%           | 2.5%     | 12,678,205                             | 12,678,205  | 0           | 0.0%   |
| 29   | Hamilton    | 2.5%           | 0.6%     | 199,099,009                            | 195,486,090 | -3,612,919  | -1.8%  |
| 30   | Hancock     | 2.5%           | 0.7%     | 34,868,043                             | 34,259,130  | -608,913    | -1.7%  |
| 31   | Harrison    | 2.5%           | -0.2%    | 12,279,297                             | 11,958,236  | -321,061    | -2.6%  |
| 32   | Hendricks   | 2.5%           | 2.1%     | 83,823,558                             | 83,504,616  | -318,942    | -0.4%  |
| 33   | Henry       | 2.5%           | 0.4%     | 25,693,445                             | 25,169,550  | -523,895    | -2.0%  |
| 34   | Howard      | 2.5%           | -3.0%    | 81,166,912                             | 76,827,451  | -4,339,461  | -5.3%  |
| 35   | Huntington  | 2.5%           | 2.3%     | 24,954,678                             | 24,896,248  | -58,430     | -0.2%  |
| 36   | Jackson     | 2.5%           | 0.7%     | 21,646,921                             | 21,260,444  | -386,477    | -1.8%  |
| 37   | Jasper*     | 2.5%           | 2.5%     | 13,284,769                             | 13,284,769  | 0           | 0.0%   |
| 38   | Jay         | 2.5%           | 2.5%     | 12,702,961                             | 12,702,961  | 0           | 0.0%   |
| 39   | Jefferson   | 2.5%           | 1.5%     | 19,601,384                             | 19,412,064  | -189,320    | -1.0%  |
| 40   | Jennings    | 2.5%           | 1.6%     | 11,310,256                             | 11,207,632  | -102,624    | -0.9%  |
| 41   | Johnson     | 2.5%           | 1.7%     | 69,073,073                             | 68,540,700  | -532,373    | -0.8%  |
| 42   | Knox        | 2.5%           | 2.5%     | 25,118,351                             | 25,118,351  | 0           | 0.0%   |
| 43   | Kosciusko   | 2.5%           | -0.7%    | 41,531,978                             | 40,227,261  | -1,304,717  | -3.1%  |
| 44   | LaGrange    | 2.5%           | 0.1%     | 13,305,867                             | 12,999,504  | -306,363    | -2.3%  |
| 45   | Lake        | 2.5%           | 0.1%     | 497,071,657                            | 485,529,888 | -11,541,769 | -2.3%  |
| 46   | LaPorte     | 2.5%           | 0.2%     | 88,218,670                             | 86,282,160  | -1,936,510  | -2.2%  |

| Cnty | County      | 2016 Est. AVGO |          | Estimated 2016 Maximum Levy, All Units |                      |                     |              |
|------|-------------|----------------|----------|--|----------------------|---------------------|--------------|
|      |             | Current        | Proposed | Current                                | Proposed             | Difference          | Change       |
| 47   | Lawrence    | 2.5%           | 2.5%     | 25,031,762                             | 25,031,762           | 0                   | 0.0%         |
| 48   | Madison     | 2.5%           | 2.5%     | 81,444,784                             | 81,428,892           | -15,892             | 0.0%         |
| 49   | Marion      | 2.5%           | -1.3%    | 702,482,204                            | 676,438,962          | -26,043,242         | -3.7%        |
| 50   | Marshall    | 2.5%           | 0.1%     | 27,612,773                             | 26,963,536           | -649,237            | -2.4%        |
| 51   | Martin      | 2.5%           | 2.5%     | 4,382,459                              | 4,382,459            | 0                   | 0.0%         |
| 52   | Miami       | 2.5%           | 1.8%     | 16,833,734                             | 16,739,458           | -94,276             | -0.6%        |
| 53   | Monroe      | 2.5%           | 1.4%     | 67,890,394                             | 67,181,684           | -708,710            | -1.0%        |
| 54   | Montgomery  | 2.5%           | 1.7%     | 23,837,818                             | 23,656,422           | -181,396            | -0.8%        |
| 55   | Morgan      | 2.5%           | 1.0%     | 23,538,000                             | 23,198,132           | -339,868            | -1.4%        |
| 56   | Newton      | 2.5%           | 2.5%     | 11,182,547                             | 11,182,547           | 0                   | 0.0%         |
| 57   | Noble       | 2.5%           | 1.2%     | 23,922,986                             | 23,617,238           | -305,748            | -1.3%        |
| 58   | Ohio        | 2.5%           | -0.4%    | 2,167,729                              | 2,107,030            | -60,699             | -2.8%        |
| 59   | Orange      | 2.5%           | 2.4%     | 7,249,705                              | 7,242,630            | -7,075              | -0.1%        |
| 60   | Owen        | 2.5%           | 2.5%     | 7,564,910                              | 7,564,910            | 0                   | 0.0%         |
| 61   | Parke*      | 2.5%           | 2.5%     | 5,752,785                              | 5,752,785            | 0                   | 0.0%         |
| 62   | Perry       | 2.5%           | 0.6%     | 8,493,235                              | 8,334,139            | -159,096            | -1.9%        |
| 63   | Pike        | 2.5%           | 2.5%     | 10,944,650                             | 10,944,650           | 0                   | 0.0%         |
| 64   | Porter      | 2.5%           | -0.8%    | 117,910,002                            | 114,136,885          | -3,773,117          | -3.2%        |
| 65   | Posey       | 2.5%           | 2.5%     | 20,993,717                             | 20,993,717           | 0                   | 0.0%         |
| 66   | Pulaski*    | 2.5%           | 2.5%     | 7,002,660                              | 7,002,660            | 0                   | 0.0%         |
| 67   | Putnam      | 2.5%           | 0.6%     | 14,436,612                             | 14,167,600           | -269,012            | -1.9%        |
| 68   | Randolph    | 2.5%           | 2.5%     | 16,944,669                             | 16,944,669           | 0                   | 0.0%         |
| 69   | Ripley      | 2.5%           | 2.0%     | 11,292,138                             | 11,234,131           | -58,007             | -0.5%        |
| 70   | Rush        | 2.5%           | 2.5%     | 12,149,307                             | 12,149,307           | 0                   | 0.0%         |
| 71   | St. Joseph  | 2.5%           | -2.2%    | 218,139,430                            | 208,179,504          | -9,959,926          | -4.6%        |
| 72   | Scott       | 2.5%           | -1.4%    | 9,875,285                              | 9,501,469            | -373,816            | -3.8%        |
| 73   | Shelby      | 2.5%           | 0.8%     | 23,259,470                             | 22,866,890           | -392,580            | -1.7%        |
| 74   | Spencer     | 2.5%           | 2.5%     | 14,262,885                             | 14,262,885           | 0                   | 0.0%         |
| 75   | Starke      | 2.5%           | 0.4%     | 11,211,231                             | 10,987,004           | -224,227            | -2.0%        |
| 76   | Steuben     | 2.5%           | -0.7%    | 21,122,695                             | 20,471,500           | -651,195            | -3.1%        |
| 77   | Sullivan    | 2.5%           | 2.5%     | 13,239,398                             | 13,239,398           | 0                   | 0.0%         |
| 78   | Switzerland | 2.5%           | -0.7%    | 4,341,340                              | 4,204,536            | -136,804            | -3.2%        |
| 79   | Tippecanoe  | 2.5%           | 0.8%     | 86,419,347                             | 85,028,207           | -1,391,140          | -1.6%        |
| 80   | Tipton      | 2.5%           | 2.5%     | 10,773,759                             | 10,773,759           | 0                   | 0.0%         |
| 81   | Union       | 2.5%           | 0.0%     | 3,984,180                              | 3,887,393            | -96,787             | -2.4%        |
| 82   | Vanderburgh | 2.5%           | -0.4%    | 141,155,320                            | 137,161,658          | -3,993,662          | -2.8%        |
| 83   | Vermillion  | 2.5%           | -0.6%    | 10,974,220                             | 10,645,531           | -328,689            | -3.0%        |
| 84   | Vigo        | 2.5%           | 0.4%     | 80,476,776                             | 78,859,388           | -1,617,388          | -2.0%        |
| 85   | Wabash      | 2.5%           | 2.1%     | 16,077,473                             | 16,010,023           | -67,450             | -0.4%        |
| 86   | Warren      | 2.5%           | 2.5%     | 5,005,558                              | 5,005,558            | 0                   | 0.0%         |
| 87   | Warrick     | 2.5%           | 1.8%     | 31,172,058                             | 30,959,176           | -212,882            | -0.7%        |
| 88   | Washington  | 2.5%           | 2.5%     | 12,354,249                             | 12,354,249           | 0                   | 0.0%         |
| 89   | Wayne       | 2.5%           | 0.2%     | 53,884,901                             | 52,670,522           | -1,214,379          | -2.3%        |
| 90   | Wells*      | 2.5%           | 2.5%     | 10,968,533                             | 10,968,533           | 0                   | 0.0%         |
| 91   | White       | 2.5%           | 2.0%     | 15,636,148                             | 15,562,927           | -73,221             | -0.5%        |
| 92   | Whitley     | 2.5%           | 2.5%     | 13,073,383                             | 13,067,007           | -6,376              | 0.0%         |
|      |             |                |          | <b>4,372,478,293</b>                   | <b>4,269,570,362</b> | <b>-102,907,931</b> | <b>-2.4%</b> |

\* These counties had frozen levies in 2015.